

Message Text

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44

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PASS AGRICULTURE

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TAGS: PFOR, EFIN, EEC

SUBJECT: EC FOREIGN MINISTERS COUNCIL: APRIL 5 BUDGET PRIORITY DIS-
CUSSIONS

REF: EC BRUSSELS 3231

1. BEGIN SUMMARY: THE EC COUNCIL WHICH MET IN LUXEMBOURG
ON APRIL 5 WAS TERMED A SUCCESS BY NEARLY ALL WHO PARTICI-
PATED. THE EC FOREIGN AND FINANCE MINISTERS SPENT SOME
NINE HOURS DISCUSSING THE PRIORITIES WHICH SHOULD BE GIVEN
TO VARIOUS EC ACTIVITIES DURING THE COMING YEAR. FEW, IF
ANY, FIRM DECISIONS WERE TAKEN, BUT THE COMMISSION WAS
GIVEN A NUMBER OF GUIDELINES TO USE IN PREPARING THE DRAFT
COMMUNITY BUDGET FOR 1977.

FRENCH OBJECTIONS APPEAR TO HAVE BLOCKED, FOR THE MOMENT
AT LEAST, A POSSIBLE EC CONTRIBUTION TO THE IFAD; AN

AUTHORIZATION FOR THE ESTABLISHMENT OF A EUROPEAN EXPORT

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BANK IS NOW NOT DUE TO BE INCLUDED IN THE 1977 BUDGET

ALTHOU

THE COUNCIL DID NOT TAKE A FORMAL DECISION ON THE COMMISSION PROPOSAL; AND THE GERMAN DELEGATION CALLED FOR HOLDING OVERALL GROWTH IN THE EC BUDGET TO 10 PERCENT FOR THE COMING YEAR. END SUMMARY

2. THE EC FOREIGN MINISTERS, FINANCE MINISTERS AND THE EC COMMISSION ON APRIL 5 HELD THE FIRST BUDGET ORIENTATION DEBATE AS MANDATED BY THE ROME EUROPEAN COUNCIL. (THE FOREIGN MINISTERS ARE TO CONTINUE THEIR COUNCIL ON APRIL 6.) THE APRIL 5 MEETING IS GENERALLY REGARDED AS HAVING SERVED THE USEFUL PURPOSE OF GIVING A NUMBER OF GUIDELINES TO THE COMMISSION FOR USE IN PREPARING THE COMMUNITY'S 1977 BUDGET. FEW IF ANY FINAL DECISIONS WERE TAKEN, AND INDEED WERE PROBABLY NOT POSSIBLE, SINCE THE TREATY OF ROME GIVES LEAD RESPONSIBILITY FOR BUDGET PREPARATION TO THE EC COMMISSION. THE MEMBER STATES HAVE GIVEN TENTATIVE APPROVAL, SUBJECT TO FURTHER DISCUSSIONS IN THE EC COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER), TO A DOCUMENT PREPARED BY THE LUXEMBOURG PRESIDENCY SETTING FORTH THE RESULTS OF THE COUNCIL.

3. DISCIPLINE: A NUMBER OF MEMBER STATES, INCLUDING THE NETHERLAND, BELGIUM AND GERMANY, POINTED TO THE STRINGENT CONDITIONS IMPOSED ON THEIR NATIONAL BUDGETS; WHILE ADMITTING THAT THE EC BUDGET REPRESENTED ONLY TWO PERCENT OF TOTAL MEMBER STATE GOVERNMENTAL EXPENDITURE, THEY SPOKE OF THE NEED FOR ECONOMY IN THE COMMUNITY. HOWEVER, IT WAS GENERALLY RECOGNIZED THAT THE LARGEST PORTION OF THE EC BUDGET --EXPENDITURES UNDER THE COMMON AGRICULTURAL POLICY --THOUGH REQUIRING SOME THIGHTENING UP, IS AT PRESENT BEYOND EFFECTIVE CONTROL. THE GERMANS ADVOCATED AN OVERALL LIMITATION IN EC BUDGET GROWTH OF 10 PERCENT, SAYING THAT INCREASES COULD GO BEYOND 10 PERCENT IN SOME AREAS PROVIDED EXPENDITURES WERE HELD DOWN IN OTHERS.

4. REVENUE: THE MINISTERS DISCUSSED THE QUESTION OF VAT-BASE HARMONIZATION AND AGREED THAT WORK IN COREPER LIMITED OFFICIAL USE

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ON THE SIXTH DRAFT DIRECTIVE SHOULD GO FORWARD SO AS TO PERMIT THE "OWN RESOURCES" SYSTEM FOR FINANCING THE COMMUNITY TO BECOME OPERATIONAL ON JANUARY 1, 1978. A DISAGREEMENT AROSE DURING THE MINISTERS' DISCUSSIONS OF USE OF THE NEW EUROPEAN UNIT OF ACCOUNT (EUA) IN CONNECTION WITH THE 1978 BUDGET. THE GERMAN DELEGATION, AS IT HAS IN THE PAST, PRESSED FOR THE INTRODUCTION OF THE EUA FOR THE 1977 BUDGET, WHILE THE

UK INSISTED THAT, UNDER THE TREATY OF ACCESSION THIS CHANGE COULD NOT TAKE PLACE BEFORE 1978. THE UK, HOWEVER, AGREED TO THE INTRODUCTION OF THE NEW EUA IN 1978 PROVIDED THEIR INTERPRETATION OF ARTICLE 131 OF THE TREATY WAS ACCEPTED BY THE COMMISSION. THIS, COUPLED WITH THE USE OF THE EUA IN THE PREPARATION OF THE 1978 BUDGET, WOULD EFFECTIVELY REDUCE THE AMOUNT OF THE UK'S CONTRIBUTION. THE COUNCIL ALSO AGREED TO ADOPT AT ITS NEXT SESSION THE FINANCIAL CORRECTIVE MECHANISM WHICH WAS WORKED OUT AT THE DUBLIN EUROPEAN COUNCIL ON MARCH 9-10, 1975, TO HELP REDUCE THE UK BURDEN OF EC BUDGETARY CONTRIBUTIONS.

5. SOCIAL AND REGIONAL FUNDS: ON THE EXPENDITURE SIDE, A NUMBER OF DELEGATIONS MADE THE POINT THAT THE MOST IMPORTANT AIM FOR THE COMMUNITY SHOULD BE TO ADOPT PROGRAMS WHICH SEEK TO ELIMINATE THE CAUSES OF UNEMPLOYMENT AND INFLATION WITHIN THE EC. GENERAL AGREEMENT WAS REACHED ON INCREASING THE EC SOCIAL FUND TO 500 MILLION UNITS OF ACCOUNT AND ON GIVING PRIORITY TO PROGRAMS TO ASSIST UNEMPLOYED YOUNG PEOPLE. THERE WAS ALSO GENERAL AGREEMENT THAT THE COMMUNITY SHOULD MAKE GREATER EFFORTS TO INTEGRATE THE EFFECTS OF SUPPORT PROVIDED UNDER THE SOCIAL AND REGIONAL FUNDS.

6. AGRICULTURE: THE MINISTERS CONCEDED THAT AT PRESENT MOST OF THE EXPENDITURES CONNECTED WITH THE CAP WERE OF A SEMI-AUTOMATIC NATURE. THEY AGREED TO ATTEMPT TO BRING THESE EXPENDITURES UNDER CONTROL AND PLEDGED THEMSELVES TO GIVE STRICT AND CAREFUL CONSIDERATION TO ALL AGRICULTURAL PROGRAM PROPOSALS. THEY FURTHER REQUESTED THAT THE COMMISSION PREPARE AGRICULTURAL COST ESTIMATES ON A QUARTERLY BASIS AND THAT IT PLACE A LIMITED OFFICIAL USE

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STRONG EMPHASIS ON COST-SAVING MEASURES. THE FRENCH OBJECTED TO THE COUNCIL DISCUSSION OF AGRICULTURE, SAYING THAT THIS WAS THE SOLE PREROGATIVE OF AGRICULTURE MINISTERS. OUR SOURCES INDICATE THAT THE FRENCH VIEW FOUND LITTLE SYMPATHY AND THAT THE RESULTING DEBATE WAS BOTH LENGTHY AND USEFUL.

7. ENERGY: THE MINISTERS DECIDED TO AWAIT THE COMMISSION'S SPECIAL PROPOSALS BEFORE DEALING WITH THE ENERGY AND RESEARCH SECTIONS OF THE 1977 BUDGET.

8. EUROPEAN EXPORT BANK: THE COUNCIL SAID IT WOULD, AFTER RECEIVING THE OPINION OF THE EUROPEAN PARLIAMENT, EXAMINE THE COMMISSION'S PROPOSAL TO CREATE A EUROPEAN EXPORT BANK. WHILE NOT FORMALLY TAKING A

DECISION AT THIS TIME, THE MINISTERS AGREED THAT IT WOULD NOT BE NECESSARY TO INCLUDE FUNDS TO COVER THE BANK'S AUTHORIZATION IN THE 1977 BUDGET.

9. AID: THE COUNCIL TOOK NO DECISION ON A POSSIBLE "JOINT EC CONTRIBUTION" TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD). PERM REP SOURCES HAVE TOLD US THAT FRANCE REMAINS ADAMANTLY OPPOSED TO ANY JOINT COMMUNITY PARTICIPATION. THE SUBJECT WILL BE FURTHER DEBATED IN COREPER (SEE EC BRUSSELS 2849). DURING THE AID DISCUSSION, THE DUTCH REPEATED THEIR CALL FOR A 50/50 BALANCE BETWEEN AID TO ASSOCIATES AND NON-ASSOCIATES. CONCERNING AID COMMITMENTS TO THE MEDITERRANENA COUNTRIES, NO DECISIONS WERE REACHED ON SPECIFIC FIGURES TO BE ALLOCATED. THE MINISTERS NOTED THE EUROPEAN INVESTMENT BANK'S DECISION TO LIMIT LOANS TO NON-MEMBER COUNTRIES TO 800 MILLION UNITS OF ACCOUNT THROUGH 1979-80. FRANCE PROPOSED THAT EXTERNAL COMMUNITY AID BE HELD TO 500 TO 600 MILLION UNITS OF ACCOUNT OVER THE SAME TIME PERIOD. HINTON

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